



BUREAU OF CONSUMER FINANCIAL PROTECTION

Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection, 2021

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection Bureau.

SUMMARY: The Bureau of Consumer Financial Protection (Bureau) is issuing its fifth biennial Consumer Credit Card Market Report to Congress. The report reviews developments in this consumer market since the Bureau's most recent biennial report on the same subject in 2019.

DATES: The Bureau released the 2021 Consumer Credit Card Market Report on its website on September 29, 2021.

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SUPPLEMENTARY INFORMATION:

Message from David Uejio, Acting Director

Credit cards are one of the most commonly-held and widely-used financial products in America — over 175 million Americans hold at least one credit card. During the COVID-19 pandemic, credit cards played a vital role as both a source of credit in emergencies and a payment method as more transactions occurred online.

As the fifth biennial report to Congress on the credit card market, this report details how swift actions by both the public and private sectors likely impacted how many consumers used their credit cards and managed their debts during the pandemic. To address hardships caused by

COVID-19, the Federal government provided consumers direct relief by issuing a series of economic impact payments, providing enhanced unemployment benefits, suspending student loan payments and interest accrual for federally held loans, offering mortgage forbearance, and enacting a moratorium on evictions. At the same time, credit card issuers provided voluntary relief to consumers by offering payment deferral and fee waivers.

Supported by these efforts, this report finds that the decline in credit card debt during the pandemic was unprecedented in speed and magnitude. Measures of consumer stress, such as late payment incidence and the share of accounts delinquent, hit record lows.

This report also highlights areas in the credit card market that may entail risks for consumers such as system deficiencies related to implementing relief programs and automatic payment processes. The Bureau continues to monitor indicators of credit card use, cost, and availability to identify potential for consumer harm, as well as study the impact of new, innovative products.

Our credit card market report is intended to present the latest research on this vital market to consumers, issuers, and policymakers. As many consumers, particularly those with non-prime credit scores, still face numerous hardships due to COVID-19, this report remains critical. The Bureau will carry out its mission in ensuring this market continues to benefit all participants during these times of heightened uncertainty.

1. Consumer Credit Card Market Report of the Bureau of Consumer Financial Protection, 2021

Credit cards are central to the financial lives of over 175 million American consumers. Over the last few years and through 2019, the credit card market, the largest U.S. consumer lending market measured by number of users, continued to grow in almost all measures until suddenly reversing course in March 2020. Despite macroeconomic shocks to the financial system, credit card market conditions remain relatively stable at the time of this report writing,

with that stability likely supported by robust fiscal measures, lower consumer discretionary spending, and voluntary industry relief programs.

The COVID-19 pandemic significantly impacted how many consumers used and interacted with credit cards. Far fewer consumers applied for new credit cards in 2020 than the year prior. During the pandemic, existing cardholders paid off the highest share of their credit card debt in recent years. Additionally, late payment and default rates fell to historic lows, most notably for consumers with below-prime scores.

At the same time, credit cards continued to play a vital role as both a payment method and source of credit. Consumers still used their cards to facilitate transactions, smooth consumption, and earn rewards. As physical stores closed and a greater share of commerce was transacted digitally, cardholders benefited from the consumer protections afforded to credit cards such as limitations on liability and enhanced security.

In response to pandemic-related hardship, issuers provided a considerable number of payment deferrals and fee waivers to their cardholders in 2020. However, consumers calling their credit card issuers often faced long wait times to access these relief programs. Additionally, complaints submitted to the Bureau regarding credit cards spiked in the second quarter of 2020 and remained elevated throughout the year.¹ Overall reported satisfaction with credit cards issuers fell significantly during the pandemic but remained higher than post-Great Recession levels.² Despite these indicators of lower consumer satisfaction, credit card issuers

¹ Bureau of Consumer Fin. Prot., *Consumer Response Annual Report*, at 39 (Mar. 2021), https://files.consumerfinance.gov/f/documents/cfpb_2020-consumer-response-annual-report_03-2021.pdf Billing disputes remain the largest complaint category.

² See Press Release, J.D. Power, *Customers Losing Faith in Credit Card Issuers as COVID-19 Pandemic Lingers, J.D. Power Finds* (Aug. 20, 2020), <https://www.jdpower.com/business/press-releases/2020-us-credit-card-satisfaction-study>.

continue to generate profitable annual returns consistent with historic levels relative to other market lending activities even with an initial decline during the first half of 2020.³

In 2019 and 2020, innovation continued to reshape the credit card market for both users and providers. New providers, including large and small financial institutions as well as startup and mainstream technology companies have entered—or are in the process of entering—the market with competing products, features, and methods for issuing credit cards.⁴

1.1 Background

In 2009, Congress passed the Credit Card Accountability Responsibility and Disclosure Act (CARD Act or Act).⁵ The Act made substantial changes to the credit card market. The CARD Act mandated new disclosures and underwriting standards, curbed certain fees, and restricted interest rate increases on existing balances. Among the CARD Act's many provisions was a requirement that the Board of Governors of the Federal Reserve System (Board) report every two years on the state of the consumer credit card market. With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in 2010, that requirement transferred to the Bureau of Consumer Financial Protection (Bureau) alongside broader responsibility for administering most of the CARD Act's provisions. This is the fifth report published pursuant to that obligation, building on prior reports published by the Bureau in 2013, 2015, 2017, and 2019.⁶

³ Bd. of Governors for the Fed. Rsrv. Sys., *Report to the Congress on the Profitability of Credit Card Operations of Depository Institutions* (July 2021), <https://www.federalreserve.gov/publications/files/ccprofit2021.pdf>.

⁴ Reference in this report to any specific commercial product, service, firm, or corporation name is for the information and convenience of the public and does not constitute endorsement or recommendation by the Bureau.

⁵ The Act superseded a number of earlier regulations that had been finalized, but had not yet become effective, by the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), and the Board of Governors of the Federal Reserve System. Those earlier rules were announced in December of 2008 and published in the *Federal Register* the following month. See 74 FR 5244 (Jan. 29, 2009); 74 FR 5498 (Jan. 29, 2009). The rules were withdrawn in light of the CARD Act. See 75 FR 7657, 75 FR 7925 (Feb. 22, 2010).

⁶ See Bureau of Consumer Fin. Prot., *Card Act Report* (Oct. 1, 2013) (2013 Report), http://files.consumerfinance.gov/f/201309_cfpb_card-act-report.pdf; Bureau of Consumer Fin. Prot., *The Consumer Credit Card Market* (Dec. 2015) (2015 Report),

The CARD Act was enacted over ten years ago.⁷ Since its passage, researchers, including the Bureau, have studied the effects of the CARD Act on the cost and availability of credit to consumers. This year the Bureau conducted a review of rules implementing the Act per section 610 of the Regulatory Flexibility Act,⁸ and the Bureau expects to release its determination this fall.

1.2 Publication

In addition to being delivered to Congress, the full report is available to the public on the Bureau's website at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2021.pdf.

1.3 Summary of Report

The full 2021 report reviews the state of the consumer credit card market as of the end of 2020. In addition to mandating the Bureau's biennial review and report on the market, the Act also requires the Bureau to "solicit comment from consumers, credit card issuers, and other interested parties" in connection with its review.⁹ As in past years, the Bureau has done so through a Request for Information (RFI) published in the *Federal Register*, and the Bureau discusses specific evidence or arguments provided by commenters throughout the report.¹⁰

This report continues the approach of the Bureau's previous reports. The Bureau revisits similar baseline indicators to track key market developments and trends. It also revisits some in-

https://files.consumerfinance.gov/f/201512_cfpb_report-the-consumer-credit-card-market.pdf; Bureau of Consumer Fin. Prot., *The Consumer Credit Card Market* (Dec. 2017) (2017 Report), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2017.pdf; Consumer Fin. Prot., *The Consumer Credit Card Market* (Aug. 2010) (2019 Report), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2019.pdf. The Bureau also held a conference in 2011 in which numerous market stakeholders contributed information and perspective on developments in the credit card market. See Press Release, Bureau of Consumer Fin. Prot., *CFPB Launches Public Inquiry on the Impact of the Card Act* (Dec. 19, 2012), <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-launches-public-inquiry-on-the-impact-of-the-card-act>.

⁷ Credit Card Accountability Responsibility and Disclosure Act of 2009, Pub. L. No. 111-24, 123 Stat. 1734 (2009).

⁸ Pub. L. No. 96-354, 94 Stat. 1164 (1980) (5 U.S.C. 601 *et seq.*).

⁹ 15 U.S.C. 1616(b) (2012).

¹⁰ Request for Information Regarding Consumer Credit Card Market, 85 FR 53299 (Aug. 28, 2020).

depth topics to assess how the market has changed. For example, the current report updates the deferred interest analysis last conducted in the 2017 Report. The Bureau also discusses the effects of COVID-19 throughout the report and specifically adds a section about its impact on credit card issuers and their responses to consumers' needs.

Below is a summary of the core findings from each section of the report:

- Total outstanding credit card balances continued to grow and peaked in 2019 at \$926 billion, but, by the second quarter of 2020, consumers reduced card balances to \$811 billion, the largest six-month reduction in U.S. history. At the end of 2020, debt crept back up to \$825 billion. The share of accounts with a revolving balance declined in 2020, and more consumers paid down their card debt in 2020. Utilization rates declined across credit score tiers, and the share of consumers with below-prime scores who used 90 percent or more of their general purpose credit line fell to record lows. A declining share of consumers were late in making their payments as of the second quarter of 2020.
- The total cost of credit (TCC) on revolving accounts continued to increase through 2019 but declined modestly in 2020. The 2020 declines in TCC for general purpose and private label cards were 0.8 and 1.5 percentage points, respectively. Recent TCC decreases are largely a result of decreases in the indices underlying variable rates, such as the prime rate, and lower overall fees assessed. The Bureau estimates that the five rate decreases by the Federal Reserve from early-2019 through 2020 led to a cumulative roughly \$18 billion that credit card borrowers did not pay over that period. Accounts held by consumers with deep subprime credit scores saw the greatest drop in fee-to-balance ratios in 2020.
- Most measures of credit card availability decreased in 2020 after continued growth since the Great Recession. Application volume for credit cards decreased sharply in 2020 from its peak level in 2019, likely due to the interaction between reduced acquisition efforts by issuers and a decline in consumer demand. Approval rates also declined modestly in

2020. Driven by these contractions in both supply and demand, annual growth in the number of credit card accounts opened and the amount of credit line on new accounts reached its lowest level since 2013. Total credit line across all consumer credit cards fell slightly in 2020 from a post-Great Recession high of over \$4.5 trillion in 2019 but remained above 2018 levels. Existing accounts held by consumers with subprime and deep subprime scores saw the greatest constriction in available line.¹¹ While credit line decrease (CLD) incidence increased for consumers with below-prime credit scores, issuers did not substantially deviate from previous line management trends during the pandemic.

- Digital engagement is growing consistently across all age groups and nearly every platform type. The share of consumers electing to receive statements digitally (e-statements) rather than by mail is continuing to increase, though the pace of adoption tapered in 2020. E-statement adoption has been surpassed by mobile app adoption as a method to engage with issuers.
- Many consumers received some form of relief on their credit card debts from their credit card providers during the pandemic. The Bureau estimates that over 25 million consumer credit card accounts representing approximately \$68 billion in outstanding credit card debt entered relief programs in 2020, figures vastly higher than in prior years. The Bureau also estimates that surveyed issuers' cardholders were able to forgo principal payments of anywhere from \$0.5 billion to \$1.5 billion against their credit card debts in 2020 due to these relief programs. Entries into payment deferral relief were spread fairly evenly across credit score tiers, but accounts held by consumers with lower scores received payment deferrals at the highest rate.

¹¹ These trends of constricting credit availability do not appear to continue in 2021. See Corinne Candilis & Ryan Sandler, *Credit card limits are rising for most groups after stagnating during the pandemic*, Bureau of Consumer Fin. Prot. (Aug. 11, 2021), <https://www.consumerfinance.gov/about-us/blog/credit-card-limits-rising-for-most-groups-after-stagnating-during-pandemic/>.

- Since the 2019 Report, issuers have lowered the range of their daily limits on debt collection phone calls for delinquent credit card accounts while increasing the use of emails in collection. However, survey respondents reported that, on average, only 31.9 percent of accounts that received email clicked open their emails.
- Innovations aimed at expanding credit access, particularly for less creditworthy borrowers, continued to grow in both the number of offerings and users. Buy Now, Pay Later (BNPL) products are offering a new form of purchasing with payments spread out over time, typically in four installments. Credit card issuers are offering similar plans, providing consumers more ways to manage their cash flow.

1.4 Current and future Bureau work in this market

Over the past two years, the Bureau has been actively engaged in the credit card market and is taking measures to address regulatory uncertainty, identify compliance deficiencies as well as research new emerging technologies and products to ensure the adequacy of consumer protection and a transparent and competitive marketplace for all consumers. The Bureau is continuing to study and consider actions to address the areas of concerns noted in the full report, but for reasons described in the full report, the Bureau is not proposing additional new or revised regulations at this moment, beyond the current and future Bureau work described here and in the full report.

- In June of 2020, the Bureau released a Notice of Proposed Rulemaking (NPRM) concerning the anticipated discontinuation of LIBOR,¹² including proposing examples of replacement indices that satisfy Regulation Z requirements.¹³ As proposed, the rule would allow credit card issuers to replace the LIBOR index used in setting variable rates on many existing accounts with a replacement index before LIBOR becomes unavailable,

¹² Press Release, Bureau of Consumer Fin. Prot., *CFPB Takes Steps to Facilitate LIBOR Transition* (Jun. 4, 2020), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-facilitates-libor-transition/>.

¹³ 85 FR 36938 (Jun. 18, 2020), <https://www.govinfo.gov/content/pkg/FR-2020-06-18/pdf/2020-12239.pdf>.

if certain conditions were met. To the Bureau’s knowledge, there are millions of consumer credit card accounts indexed on LIBOR. The proposed rulemaking should help credit card providers transition those affected accounts to a replacement index in an orderly manner. The Bureau expects to issue a final rule in January 2022.¹⁴

- Through the Prioritized Assessments conducted in May of 2020, the Bureau found that credit card issuers generally provided some form of relief to consumers experiencing hardships as a result of COVID-19, such as “skip-a-pay” or payment deferrals for one to six months, with or without interest accrual.¹⁵ Other relief options included lowered interest rates, waivers of annual and other fees, and extended deferred interest periods for credit card accounts that had already received deferred interest. However, the Bureau also identified certain issues that may raise the risk of consumer harm such as system deficiencies related to implementing relief programs and automatic payment processes, as well as delays in timely delivery of certain disclosures and responding to billing disputes.
- The Bureau continues to monitor the expansion of credit access, especially when new and innovative technologies are used. Credit access expansion can be positive but should be done responsibly and in a way that is understandable to consumers. Consumers will be better served if the use of such technologies are clearly explained in case of adverse actions.¹⁶ Forms of point-of-sale financing, such as BNPL products, offer not only convenience but a new way of financing for many consumers. The Bureau encourages all providers in this space to take steps to make sure users of these products are adequately informed of the risks of such products.

¹⁴ Office of Info. & Regulatory Affairs, *Amendments to Regulation Z to Facilitate Transition From LIBOR* (2021), <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202104&RIN=3170-AB01>.

¹⁵ Bureau of Consumer Fin. Prot., *Supervisory Highlights COVID-19 Prioritized Assessments Special Edition, Issue 23* (Jan. 2021), https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-23_2021-01.pdf.

¹⁶ Bureau of Consumer Fin. Prot., *Tech Sprint on Electronic Disclosures of Adverse Action Notices* (Oct. 2020), <https://www.consumerfinance.gov/rules-policy/innovation/cfpb-tech-sprints/electronic-disclosures-tech-sprint/>.

- The Bureau encourages study into the effects of certain lending practices and their impact on credit scores, particularly for those consumers with non-prime credit scores. Practices such as credit line decreases (CLD) and account closure not only reduce consumers' access to credit but also potentially inflate their credit utilization rate. This could adversely affect consumers' credit scores without any other changes in their behavior. Additionally, over the past decade, a declining share of credit card issuers reported information on a borrower's actual payment amount to nationwide consumer reporting agencies, which may have implications for consumer access to credit.
- As indicated in its January 28, 2021 announcement,¹⁷ the Bureau intends to take bold and swift action on racial equity in financial services, including in the areas of credit card marketing and lending. Existing data available to the Bureau do not allow the Bureau to fully examine the disparity in use, cost, and availability of credit cards by racial groups. The Bureau intends to explore options to incorporate racial data in its data sources to inform its future work.
- As described in the new technical specifications issued on August 20, 2021, the Bureau's "Collect" website will be the mandatory vehicle issuers must use to submit credit card agreements and their associated data in 2022 and beyond. Not only does Collect provide a simplified submission process and robust audit trail for issuers, it will allow the Bureau and other organizations to expand their current research on credit card agreements.¹⁸

¹⁷ Bureau of Consumer Fin. Prot., *The Bureau is taking much-needed action to protect consumers, particularly the most economically vulnerable* (Jan. 28, 2021), <https://www.consumerfinance.gov/about-us/blog/the-bureau-is-taking-much-needed-action-to-protect-consumers-particularly-the-most-economically-vulnerable/>.

¹⁸ Bureau of Consumer Fin. Prot., *Technical Specifications for Credit Card Agreement and Data Submission Required under TILA and the CARD Act (Regulation Z)* (Aug. 20, 2021), https://files.consumerfinance.gov/f/documents/cfpb_tech-specs-credit-card-agreement-data-submissions_final-rule_2021-08.pdf.

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